

“The Hemisphere United”

**Ambassador Charlene Barshefsky
United States Trade Representative
New York, NY**

October 1, 1998

Thank you all very much, and thank you for that introduction.

I am very pleased to be here today. But let me say that the truly important day was yesterday, when the nine Negotiating Groups in Miami completed the first month of detailed negotiations on the future Free Trade Area of the Americas.

The next six years will bring their work to conclusion. And the result will be the largest Free Trade Area in the world, stretching from Nome to Ushuaia and from Easter Island to Nova Scotia; uniting two continents; joining 34 countries and 800 million people in shared interests and shared values.

Over the past four weeks, trade negotiators from each FTAA country began their discussions of everything from market access to competition policy, electronic commerce, government procurement, tariffs and phytosanitary procedures. And as the talks on these often complex or controversial issues intensify, the details may obscure the genuinely astonishing dimensions of the total effort.

So as the work begins in earnest, I would like to put it in perspective by addressing four questions: the reason we have taken up this challenge; the obstacles which remain ahead; our plans for a successful negotiation; and the results we expect to see on its conclusion.

SHARED INTERESTS

The first question is the most basic. Why have we, in the United States, embarked on this effort? To this there are three, mutually supporting, answers.

The first two of them have always been there.

One is geography. The countries of the Western Hemisphere are our neighbors. They will always be our neighbors. And it is plainly in our permanent national interest to have the best possible trading relationship with our neighbors.

The other is the interests of American citizens. When the talks conclude by 2005, we will see the emergence of an integrated and united hemisphere: a free trade area open to all the democracies of the Americas. It will open trade in goods and services. Ensure fair treatment for farmers and ranchers. Guarantee peaceful resolution of disputes under the rule of law. Protect intellectual

property rights. Reduce the risk of financial crisis through open, transparent markets in services. And set an example in all these fields to the world trading system. These are the conditions under which American workers, businesses and entrepreneurs will succeed.

EARLIER EFFORTS

Thus, the FTAA has a clear foundation in the national interest. This applies to our neighbors as much as it does to us. And so it should come as no surprise that others have come up with the idea before us.

The Liberal vision shared by the leaders of Latin America's independence movements implied precisely such a step. Simon Bolivar himself was the first American leader to propose a hemispheric trade conference. And the idea, in one form or another, was revived on several subsequent occasions. Benito Juarez proposed a free trade agreement between the United States and Mexico in the 1850s. In 1889, U.S. Secretary of State James Blaine actually convened a hemispheric conference in Washington, whose goal was hemispheric free trade.

But all of these efforts failed. And they failed not because of the the complexity of the task -- a trade agreement in 1889, when the only issues were customs procedures and tariffs on agricultural products and manufactured goods, would in technical terms have been far easier than the task before the nine Negotiating Groups in 1998. Rather, they failed because the third answer was missing -- because of a conflict of perceptions and ideas.

Latin American intellectuals often viewed the U.S. as an interfering, hegemonic power; saw trade with the U.S. as exploitation; and concluded that the proper course was protection. Likewise, people in the United States at times looked south and saw only caudillos, guerrillas, and opportunistic politicians denouncing the *Yanqui* to mask inefficiency and corruption at home; and drew the same conclusion about hemispheric trade.

Thus, the separation of the Americas by trade barriers was perhaps a lesser obstacle than the separation by barriers of psychology, perception and ideas. As Jose Marti said, commenting on Blaine's conference in an 1890 address just a few blocks from here:

“Barriers of ideas are stronger than barricades of stone.”

SHARED VALUES

Today, many of these barriers of ideas have come down. Since the end of the Cold War, the two permanent factors of geography and national interest which make the FTAA logical have been joined by a third, which makes it possible -- a consensus on values and ideas.

- Peace: The ability of shared prosperity to reduce conflict and promote peaceful resolution of disputes, within and among nations.

- Freedom and opportunity: the modern concepts of open markets and universal education, which are the keys to growth everywhere and which, almost everywhere in our hemisphere, have replaced the sterile battle between statist right and statist left.
- Social justice: the conviction that fair working conditions, a clean environment, protection for our natural heritage, and investments in education can and must go together with economic growth;
- The rule of law: a set of impartial standards that protects human rights, promotes honest and effective government, and ensures the peaceful settlement of disputes;
- Democracy: the right of the citizen to contribute to the decisions of government.

Through these principles, in the space of a decade, the Americas have been transformed. In Central America, the sounds of politics are no longer gunshots, but campaign speeches and parliamentary debate. Throughout South America, soldiers have left Presidential palaces and returned to quarters. Growth has resumed and living standards are rising. Trade has flourished, as each part of the hemisphere has taken crucial steps toward integration; and as each of these steps vindicated and strengthened the values we share.

THE CARIBBEAN

In trade terms, the first step was the Caribbean Basin Initiative, begun in 1983 as a set of unilateral American trade concessions and strengthened in 1986 and 1990.

CBI was, in its origins, a political policy, aimed at helping to end the wars of the 1980s by giving the people of the Caribbean and Central America economic opportunity. In this it succeeded: as CBI's trade and tax benefits created jobs in all the 24 beneficiary countries, the economic and social frustrations which lay at the roots of conflict diminished.

But CBI also succeeded as trade policy, with both the U.S. and the Caribbean benefiting from closer trade relations. CBI countries' production often complements U.S. production, or is in partnership with American firms. The major CBI exporters are also the leading markets for U.S. products in their region. Since 1989, US goods exports to CBI countries have more than doubled from \$9 billion to \$18.5 billion, supporting an estimated 360,000 jobs in the U.S.. To put this in context, last year we exported only \$13 billion to China. And the confidence the CBI beneficiaries have gained from this experience has helped them move forward on their own, through the Caribbean organization CARICOM and the Central American Common Market.

CFTA AND NAFTA

The second, far more ambitious, step was the the North American Free Trade Agreement, joining the U.S., Canada and Mexico in fully open trade.

The first move -- the US-Canada Free Trade Agreement -- is now taken for granted. But let me remind you of something -- our trade relationship with Canada is the largest bilateral trade relationship anywhere in the world. We trade more with Canada than with the entire European Union, or with Japan and China combined. The agreement, therefore, was a technical triumph and a demonstration to the hemisphere that full-scale trade integration is possible.

This achievement was deepened and broadened in 1993, when Mexico joined to create the North American Free Trade Agreement. As NAFTA approaches its fifth anniversary, bilateral trade with Mexico has grown from \$80 billion to \$170 billion. This includes growth in American exports from \$41 billion in 1993 to likely \$85 billion this year, putting Mexico ahead of Japan for the second consecutive year, and behind only Canada as our second largest export market.

NAFTA also proved its value in both the peso crisis of 1995 and the current Asian financial crisis. In 1995, its helped make Mexico's recession shorter and milder than that of 1982, and also to withstand the political pressures to restrict trade which ultimately worsened the crisis of the early 1980s in Mexico. In the first six months of 1998, as our exports to Asia dropped \$14 billion from last year's levels, our \$11 billion increase in exports to Canada and Mexico helped us preserve jobs and growth. In fact, Mexico is our fastest-growing large export market.

SOUTH AMERICAN INTEGRATION

The same process is well underway in South America, with Chile's trade agreements with its neighbors, the Andean Community and the development of Mercosur. Again, these both justified and strengthened the hemispheric consensus.

Chile's market opening, combined with its trade agreements with its neighbors, stimulated economic growth of over 8% a year; brought more than a million people out of poverty since 1993; and more than doubled per capita GDP. Its economic integration with the world brought in \$8 billion in foreign investment last year, and increased Chile's exports by over 9%. And throughout this period, its commitment to democracy and reconciliation has become an example to the world.

Likewise, the integration of Mercosur has benefited all its participants and the outside world as well. Since the Treaty of Asuncion in 1991, intra-Mercosur trade has increased by over 400%. As intra-Mercosur trade has boomed, Mercosur's exports to the rest of the world have increased by over \$20 billion. And the larger, simpler market Mercosur creates has allowed our own exports to the member countries to grow from less than \$9 billion in 1991 to more than \$23 billion last year.

THE LESSONS

The lessons of this experience are entirely clear.

Trade integration has created jobs, growth and mutual benefit in North America, in the Caribbean Basin, and in South America.

And trade integration has both benefited from and strengthened peace, freedom, democracy and the rule of law throughout the hemisphere.

THE OBSTACLES

Based on geographic reality; based on U.S. interests; based on American values; I believe the case for the FTAA is entirely clear. And that leads me to my second question: what then are the obstacles?

For one thing, the barriers of ideas are not entirely down. That is clear here in the United States in the emotional opposition of both right and left to the North American Free Trade Agreement, and in the debate over fast track. But day by day, as U.S. entrepreneurs invest and sell into or import from Latin America, as U.S. students meet their Latin counterparts, as popular culture grows closer and commerce more interlinked, they will continue to fall. As we proceed, we will be making our case to the public for the FTAA, and for fast track authority. It is my hope that you, as Council members, academics and businesses, will help us in the effort.

At the same time, the public -- in the United States and elsewhere -- clearly expects trade policy to respond more effectively than it has in the past to the concerns of citizens. This is natural, as trade has grown and more deeply affected daily life everywhere. And it is right, as fundamental policy decisions in democracies absolutely should be made in consultation with the public. That means our FTAA negotiations must pay appropriate attention to substantive issues like the relationship of trade to core labor standards, and to the environment. Just as important, they must achieve openness and citizen contribution if the results are to be credible.

Finally, the FTAA negotiations have begun during what President Clinton has rightly called the most dangerous financial crisis in fifty years. This may intensify traditional fears about trade liberalization. Some may well attribute the crisis to the more open trading world of today.

But the fact is, the problems evident at the outset of the crisis were caused by the opposite of open markets: lack of transparency, politically directed loans, weak rule of law, and consequently debilitated financial institutions. Latin Americans understand this truth perhaps better than most, since these were some of the problems at the heart of the Latin American debt crisis of the early 1980s. And now as then, our efforts to make crises less likely must involve greater competition, more openness and transparency, and the continued application of the rule of law -- that is, precisely the goals the FTAA will promote.

FTAA NEGOTIATIONS

And where do we go from here?

In the next few years, our work must draw from the lessons of all the hemispheric trade initiatives as we approach the details of an FTAA. It must address both misperceptions and legitimate concerns about the negotiations and the agreements thus far. And we have designed a negotiating process, I believe, which will do both.

The nine Negotiating Groups address every issue crucial to a hemispheric trade agreement. And they will ensure that the result serves the interest of the hemisphere by promoting the use of new technologies and methods of trade across the span of these talks, through the creation of a special Advisory Committee to ensure that the FTAA promotes electronic commerce, Internet readiness and other innovations.

At the same time, we have attempted to erase any lingering suspicions among the participants by assigning significant responsibility to each region -- in fact, to each country. Every country will, at some point, lead one of the discussions, from Nicaragua as Chair of Services in the Miami talks this month, to the US and Brazil as Co-Chairs of the entire process during the last two years.

And we have recognized the fundamental importance of citizen contribution to trade policy through the establishment of a committee of government officials from all FTAA countries to listen to civil society -- business, labor, consumers, environmentalists, academics and others -- and present their advice to the Trade Ministers.

FTAA RESULTS

Finally, the most important question -- what results do we expect from all this?

First, as directed by the Miami Summit, we will see "concrete progress by the end of the century." Most immediately, we plan to reach agreements on common sense, concrete business facilitation measures. These could include a code of conduct for customs integrity; improved customs procedures for express shipments; transparency and due process in government procurement; or mutual recognition agreements in the licensed professions.

And by 2005, at the end of the talks, we will see a rigorous, comprehensive trade agreement. All the trade barriers of the hemisphere are up for negotiation in Miami, in industrial goods, agriculture and services. This will create the world's largest free trade area, expanding trade, accelerating growth, attracting investment from all over the world and cementing our strategic position in the hemisphere. And we can aspire to results well beyond trade.

-- The FTAA will create jobs and growth through larger, simpler and fairer markets. It will raise the standard of living, as families benefit from better quality and lower prices. It has the potential to make growth more stable, as open markets in services encourage competition, transparency, and impartial regulation of financial systems, telecommunications, insurance and other industries basic to a modern economy. And it can improve the quality of life, as improved

intellectual property protection offers access to new medicines, artistic works and forms of entertainment; an open market in environmental goods and services helps reduce and prevent pollution; and integration promotes deeper cultural exchange.

-- The FTAA can also help us reach our trade goals outside the hemisphere. As early as next September, the nine FTAA Negotiating Groups are scheduled to produce “annotated outlines” of the FTAA chapters in each area. These outlines will help us reach consensus on such difficult issues as subsidies and other trade distorting practices in agriculture; market access and liberalization in services; effective copyright protection in emerging technologies; and transparency in government procurement. Thus, as negotiations on all these topics begin at the WTO next fall, we will move toward a cohesive Western Hemisphere position that enables us to promote our shared interests more effectively worldwide.

-- The FTAA also has the potential to improve governance within and among nations. Open and fair procurement practices can raise standards of honesty and transparency. The higher growth rates created by trade can raise revenue for schools, environmental protection, law enforcement and other essential services. And new dispute settlement procedures will enhance our ability to peacefully and fairly resolve economic disagreements through the rule of law.

-- Most important, both the negotiations and the FTAA, if done in the spirit envisioned at the Summits, can further strengthen the values of openness, accountability, and democracy which the hemisphere has embraced, and which themselves have made the FTAA possible.

CONCLUSION

This is the vision before us as the talks begin.

A community of common interests in prosperity; jobs; and economic growth

A community of common aspirations for better health; environmental protection, and cultural exchange.

And a community of common values, where we have a hemisphere united by the rule of law, open government, and democracy.

For the first time in two centuries, it is within our grasp.

We must not let it slip away.